

**WEST ST. MARY PARISH PORT, HARBOR
AND TERMINAL DISTRICT**

Franklin, Louisiana

Financial Report

Year Ended December 31, 2017

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
BASIC FINANCIAL STATEMENTS	
Statement of net position	4
Statement of revenues, expenses and changes in net position	5
Statement of cash flows	6
Notes to financial statements	7-16
INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS	
Independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	18-19
Summary schedule of prior audit findings	20
Schedule of audit results and findings	21-22
Corrective action plan for current audit findings	23

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INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
West St. Mary Parish Port, Harbor and Terminal District
Franklin, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the West St. Mary Parish Port, Harbor and Terminal District (hereinafter "District"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the District as of December 31, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The District has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2018 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
May 31, 2018

BASIC FINANCIAL STATEMENTS

WEST ST. MARY PARISH PORT, HARBOR AND TERMINAL DISTRICT
Franklin, Louisiana

Statement of Net Position
December 31, 2017

ASSETS

Current assets:	
Cash and equivalents	\$ 4,171,260
Investments	7,116
Receivables:	
Ad valorem taxes	605,797
State revenue sharing	18,368
Leases	25,653
Water system customers	2,700
Prepaid expenses	24,453
Total current assets	<u>4,855,347</u>
Capital assets:	
Land	7,058,445
Other, net of accumulated depreciation	<u>5,673,285</u>
Net capital assets	<u>12,731,730</u>
Total assets	<u>17,587,077</u>

LIABILITIES AND NET POSITION

Current liabilities:	
Accrued expenses	33,934
Unearned revenues	<u>666</u>
Total current liabilities	<u>34,600</u>
Net position:	
Net investment in capital assets	12,731,730
Unrestricted	<u>4,820,747</u>
Total net position	<u>\$ 17,552,477</u>

The accompanying notes are an integral part of the financial statements.

WEST ST. MARY PARISH PORT, HARBOR AND TERMINAL DISTRICT
Franklin, Louisiana

Statement of Revenues, Expenses, and Changes in Net Position
Year Ended December 31, 2017

Operating revenues:	
Rentals	\$ 531,787
Water system revenues	33,339
Total operating revenues	<u>565,126</u>
Operating expenses:	
Advertising and promotion	5,930
Auto expense	13,687
Contract labor	16,400
Deductions from ad valorem taxes	21,477
Depreciation	465,063
Dues and subscriptions	3,349
Employee retirement	15,200
Industrial park infrastructure	1,990
Insurance	119,281
Miscellaneous	1,342
Office supplies and postage	10,176
Professional fees	42,268
Repairs and maintenance	
Office	1,175
Port site	52,301
Water treatment and distribution system	48,918
Salaries	151,995
Payroll taxes	11,420
Telephone	8,350
Travel	28,292
Utilities and internet	7,963
Total operating expenses	<u>1,026,577</u>
Operating loss	<u>(461,451)</u>
Non-operating revenues / (expenses)	
Ad valorem taxes	660,095
State revenue sharing	15,624
Interest income	3,297
Losses on disposals of assets	(6,417)
Net non-operating revenues / (expenses)	<u>672,599</u>
Change in net position	211,148
Net position, beginning of year	<u>17,341,329</u>
Net position, end of year	<u>\$ 17,552,477</u>

The accompanying notes are an integral part of the financial statements.

WEST ST. MARY PARISH PORT, HARBOR AND TERMINAL DISTRICT
Franklin, Louisiana

Statement of Cash Flows
Year Ended December 31, 2017

Cash Flows from Operating Activities	
Receipts from customers and users	\$ 546,095
Payments to suppliers	(516,027)
Payments to employees and related benefits	<u>(297,819)</u>
Net cash used by operating activities	<u>(267,751)</u>
Cash Flows from Noncapital Financing Activities	
Ad valorem taxes	653,467
State revenue sharing	<u>15,624</u>
Net cash provided by noncapital financing activities	<u>669,091</u>
Cash Flows from Capital and Related Financing Activities	
Purchases of capital assets	<u>(57,813)</u>
Net cash used by capital and related financing activities	<u>(57,813)</u>
Cash Flows from Investing Activities	
Interest received on investments and interest-bearing deposits	3,297
Purchases of investments	<u>(69)</u>
Net cash provided by investing activities	<u>3,228</u>
Net increase in cash and cash equivalents	346,755
Cash and cash equivalents, beginning of year	<u>3,824,505</u>
Cash and cash equivalents, end of year	<u>\$ 4,171,260</u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating loss	\$ (461,451)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation expense	465,063
Changes in assets and liabilities:	
Accounts receivable	(19,031)
Prepaid expenses	1,114
Accounts payable	(275,000)
Accrued expenses	<u>21,554</u>
Net cash used by operating activities	<u>\$ (267,751)</u>

The accompanying notes are an integral part of the financial statements.

WEST ST. MARY PARISH PORT, HARBOR AND TERMINAL DISTRICT
Franklin, Louisiana

Notes to Financial Statements

INTRODUCTION

The District was established in 1974 by Act of the Louisiana legislature to develop and operate a port and related facilities serving the western portion of St. Mary Parish. It is the intent of the District to develop a port/harbor facility and industrial area and that a substantial portion of the costs of operations of these facilities be ultimately borne by revenue derived from user charges.

(1) Summary of Significant Accounting Policies

The accompanying financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Financial Reporting Entity

Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, as amended, established criteria for determining the governmental reporting entity and which component units should be considered part of the reporting entity for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include:

- Appointing a voting majority of an organization's governing body, and the ability of the primary government to impose its will on that organization and/or the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the primary government.
- Organizations for which the primary government does not appoint a voting majority but are fiscally dependent on the primary government.
- Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the previous criteria, the District has determined that it has no component units.

In accordance with GASB Statement No. 14, the St. Mary Parish Council, City of Franklin, and Town of Baldwin are considered to be related organizations to the District as they appoint members to the board of the District. Financial accountability does not exist between the previously stated entities and the District because they do not impose their will or have a financial benefit or burden relationship with the District.

These financial statements include only the funds of the District, the reporting entity.

WEST ST. MARY PARISH PORT, HARBOR AND TERMINAL DISTRICT
Franklin, Louisiana

Notes to Financial Statements (continued)

B. Basis of Presentation

The accompanying basic financial statements of the District have been prepared in conformity with GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, as amended.

Fund Financial Statements

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The proprietary fund is maintained consistent with legal and managerial requirements.

Proprietary Funds –

Proprietary funds are used to account for ongoing operations and activities that are similar to those often found in the private sector. The measurement focus is based on determination of financial position, changes in net position and cash flows. The two types of proprietary funds are enterprise funds and internal service funds. The District’s fund is an enterprise fund.

Enterprise Funds

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or changes in net position is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

The District’s proprietary fund is presented using the economic resources measurement focus. The accounting objectives of the “economic resources” measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and all liabilities (whether current or noncurrent) associated with the operation of this fund are reported. Proprietary fund equity is classified as net position.

WEST ST. MARY PARISH PORT, HARBOR AND TERMINAL DISTRICT
Franklin, Louisiana

Notes to Financial Statements (continued)

Basis of Accounting

Proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred or economic asset used.

D. Assets, Liabilities and Equity

Cash and Cash Equivalents

Cash includes amounts in demand deposits and interest-bearing demand deposits. Under state law, the District may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Under state law, the District may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; otherwise, they are classified as cash equivalents.

Receivables

Receivables consist of all revenues earned at year-end and not yet received.

Receivables that have been determined to be uncollectible are recognized as bad debts by direct write-off to expense at the time information becomes available indicating the uncollectibility of the receivable. Although the direct write-off method is not in conformity with accounting principles generally accepted in the United States of America (GAAP), reported differences between the direct write-off and GAAP-based methods are considered immaterial.

Prepaid Expenses

Payments made to insurance companies for yearly policies that will benefit future periods are recorded as prepaid insurance.

Capital Assets

Capital assets which include property, plant, and equipment used in the proprietary fund type operations are reported in the statement of net position. Capital assets are valued at historical cost or estimated cost (if historical cost is not available). Donated assets (including assets contributed by other governmental entities) are recorded as capital assets at their estimated fair value at the date of the donation. It is the District's policy to capitalize all assets with a cost of \$1,000 or more.

Depreciation of all exhaustible fixed assets used by the proprietary fund type operations is charged as an expense in the statement of activities, with accumulated depreciation reflected in the statement of net position.

WEST ST. MARY PARISH PORT, HARBOR AND TERMINAL DISTRICT
Franklin, Louisiana

Notes to Financial Statements (continued)

Depreciation is computed using the straight-line method based on the estimated useful lives of the various assets as follows:

Buildings	25 years
Improvements	10-25 years
Furniture and equipment	3-10 years

Unearned Revenue

Revenues collected during the year that are not available to finance the operations of the current period are reported as unearned revenues and are recognized as operating revenues in the subsequent period.

Compensated Absences

Full-time employees of the District earn vacation and sick leave annually at varying rates depending upon length of service. Accrued unused annual leave shall be carried forward to succeeding calendar years without limitation.

Upon termination, an employee is compensated for accumulated vacation time up to 200 hours. Employees are not compensated for sick time.

An accrual is made for the amount of compensation employees will receive in the future based upon services performed in the current year for vacation time not used. The liability related to this accumulated vacation time totaled \$11,237 at December 31, 2017.

Equity Classifications

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets included restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisional or enabling legislation.
- c. Unrestricted – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District considers restricted funds to have been spent first.

WEST ST. MARY PARISH PORT, HARBOR AND TERMINAL DISTRICT
Franklin, Louisiana

Notes to Financial Statements (continued)

E. Revenues and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

Revenues

The District records lease rentals and charges for water usage as revenues when earned. Ad valorem taxes and state revenue sharing are recorded in the year the taxes are due and payable. Interest income is recorded when earned. Substantially all other revenues are recorded when received.

Expenses

Expenses are classified by function for business-type activities and further classified as operating and nonoperating. Expenses are recorded in the period that the liabilities are incurred.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

(2) Cash and Cash Equivalents

Under state law, the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The District may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At December 31, 2017, the District had cash and cash equivalents (book balances) totaling \$4,171,260. These deposits are stated at cost, which approximates market.

Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security, or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the District or the pledging fiscal agent bank by a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2017, deposit balances (bank balances) totaling \$4,178,533 were secured from risk by \$668,696 of federal deposit insurance and pledged securities with a market value of \$3,509,837.

WEST ST. MARY PARISH PORT, HARBOR AND TERMINAL DISTRICT
Franklin, Louisiana

Notes to Financial Statements (continued)

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the District's deposits may not be recovered, or the District may not be able to recover collateral securities that are in the possession of an outside party. The District does not have a policy to monitor or reduce exposure to custodial credit risk. At December 31, 2017, deposits in the amount of \$3,509,837 were exposed to custodial credit risk. These deposits are uninsured and collateralized with securities held by the pledging institution's trust department or agent but not the District's name.

(3) Investments

At December 31, 2017, the District's investments totaled December 31, 2017 as follows:

Description	Interest Rate	Market Value/ Carrying Amount	Cost
Louisiana Asset Management Pool	Various	\$ 7,116	\$ 7,116

State law allows the District to invest in direct United States Treasury obligations, bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by federal or U.S. Government instrumentalities, which are federally sponsored; direct security repurchase agreements of any federal book entry only securities guaranteed by the U. S. Government; time certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana; savings account or shares of certain savings and loan associations and savings banks; certain accounts of federally or state chartered credit unions; certain mutual or trust fund institutions; certain guaranteed investment contracts; and investment grade commercial paper of domestic United States corporations.

LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with R.S. 33:2955.

GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, requires disclosure of credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk for all public entity investments.

LAMP is a 2a7-like investment pool. The following facts are relevant for 2a7-like investment pools:

- Credit risk: LAMP is rated AAAM by Standard & Poor's.
- Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.

WEST ST. MARY PARISH PORT, HARBOR AND TERMINAL DISTRICT
Franklin, Louisiana

Notes to Financial Statements (continued)

- Concentration of credit risk: Pooled investments are excluded from the 5 percent disclosure requirement.
- Interest rate risk: 2a7-like investment pool are excluded from this disclosure requirement, per paragraph 15 of the GASB 40 statement.
- Foreign currency risk: Not applicable to 2a7-like pools.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair market value of investments is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

Fair Value Measurements

To the extent available, the District's investments are recorded at fair value as of December 31, 2017. GASB Statement No. 72, *Fair Value Measurements and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The District measures and records its investments using fair value guidelines established by GASB 72, which recognizes a three-tiered fair value hierarchy as follows:

- Level 1 — quoted prices for identical investments in active markets
- Level 2 — observable inputs other than quoted market prices
- Level 3 — unobservable inputs

The District's investments in LAMP are measured using observable inputs other than quoted market prices (Level 2 inputs). The investments in LAMP are valued using quoted market prices of the underlying investment of LAMP on a weekly basis and the value of the position in the external investment pool is the same as the net asset value of the pool shares.

(4) Receivables

The District records ad valorem taxes and state revenue sharing in the year the tax is due and payable. At December 31, 2017, ad valorem taxes and state revenue sharing receivables were \$605,797 and \$18,368 respectively. Also, lease rentals and water utility revenues are recorded when earned. Lease rentals and water utility revenues receivables at December 31, 2017 totaled \$25,653 and \$2,700, respectively.

The financial statements contain no allowance for uncollectible receivables. It is management's opinion that all receivables are collectible and potential bad debt losses, if any, are immaterial.

WEST ST. MARY PARISH PORT, HARBOR AND TERMINAL DISTRICT
Franklin, Louisiana

Notes to Financial Statements (continued)

(5) Ad Valorem Taxes

The District's property tax is levied in October of each year on the assessed value of property within the District's taxing area. Taxes are due and payable by December 31. The taxes are delinquent after January 1, at which time an enforceable lien attaches to the property. The taxes are collected on behalf of the District by the St. Mary Parish Sheriff and then remitted to the District. The District receives the majority of its taxes in January and February. The tax rate for the year ended December 31, 2017 was 3.72 mills on the dollar of the assessed valuation of all taxable property in the present boundaries of the District.

(6) Capital Assets

The following is a summary of changes in fixed assets:

	Balance December 31, 2016	Additions	Deletions	Balance December 31, 2017
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital assets not depreciated				
Land	\$ 7,336,323	\$ -	\$ -	\$ 7,336,323
Other capital assets				
Buildings	4,654,151	10,450	1,695	4,662,906
Improvements	8,183,699	44,598	5,003	8,223,294
Water system	1,492,734	-	-	1,492,734
Furniture and fixtures	36,672	-	1,544	35,128
Equipment	<u>170,783</u>	<u>2,765</u>	<u>13,148</u>	<u>160,400</u>
Subtotal	21,874,362	57,813	21,390	21,910,785
Less: accumulated depreciation	<u>(8,728,965)</u>	<u>(465,063)</u>	<u>14,973</u>	<u>(9,179,055)</u>
Total	<u>\$ 13,145,397</u>	<u>\$ (407,250)</u>	<u>\$ 36,363</u>	<u>\$ 12,731,730</u>

Depreciation expense related to the utilization of fixed assets for the year ended December 31, 2017, was \$465,063.

WEST ST. MARY PARISH PORT, HARBOR AND TERMINAL DISTRICT
Franklin, Louisiana

Notes to Financial Statements (continued)

(7) Leases

The District has available for lease all of its land, buildings, and improvements at the port site.

At December 31, 2017, the minimum future rentals on the District's leases are as follows:

2018	\$ 358,577
2019	328,630
2020	328,630
2021	327,830
2022	<u>197,115</u>
	<u>\$ 1,540,782</u>

The leasing arrangements vary based on the operations of the tenant and may be either short-term or long-term in nature. Leases are primarily negotiated with an initial term of five years with options to renew for 1-3 additional five year terms.

(8) Compensation of Commissioners

The Commissioners of the District received no per diem, salaries, or wages for the year ended December 31, 2017.

(9) Compensation and Other Payments to Executive Director

Act 706 of the 2014 Legislative Session amended RS 24:513A requiring additional disclosure of total compensation, reimbursements, benefits, or other payments made to an agency head or chief officer. Payments to the District's executive director, David Allain, for the year ended December 31, 2017 are as follows:

Salary	\$ 82,919
Benefits - Insurance	9,769
Benefits - Retirement	9,007
Car allowance	9,350
Travel	11,656
Registration fees	<u>1,470</u>
Total	<u>\$ 124,171</u>

(10) Retirement Plans

All employees of the District are covered under the Federal Insurance Contributions Act (Social Security). The District makes the required contributions to the fund and is not responsible for the benefits. Contributions to the Social Security retirement system for the year ended December 31, 2017 totaled \$11,420.

WEST ST. MARY PARISH PORT, HARBOR AND TERMINAL DISTRICT
Franklin, Louisiana

Notes to Financial Statements (continued)

The District provides a Simplified Employee Pension plan for all eligible employees. The District has selected the pro rata allocation formula for contributions. Employer contributions made for a plan year on behalf of any participant shall not exceed the lesser of 100% of compensation or the limitation in effect under Code Section 415(c)(1)(A), which was \$53,000 for 2017.

The District contributed 10% of each eligible employee's salary for a total of \$15,200 during the year ended December 31, 2017.

(11) Risk Management

The District is exposed to various risks of loss related to torts, theft, or damage to assets, errors and omissions, injuries to employees and natural disasters. The District has purchased commercial insurance to protect against loss from substantially all of these perils. There were no significant reductions in insurance coverage, retention, or limits during the current year. Settled claims have not exceeded commercial coverages in any of the previous three fiscal years.

INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS

KOLDER, SLAVEN & COMPANY, LLC

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Commissioners
West St. Mary Parish Port, Harbor and Terminal District
Franklin, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of West St. Mary Parish Port, Harbor and Terminal District (the "District") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 31, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified deficiencies in internal control that we consider to be material weaknesses and which are described in the accompanying summary schedule of audit results and findings as items 2017-001 and 2017-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
May 31, 2018

WEST ST. MARY PARISH PORT, HARBOR AND TERMINAL DISTRICT
Franklin, Louisiana

Summary Schedule of Prior Audit Findings
Year Ended December 31, 2017

2016-001 Inadequate Segregation of Accounting Functions

CONDITION: Accounting and financial functions are not adequately segregated.

RECOMMENDATION: The District's board is aware of this inadequacy and has concluded that the cost of hiring additional personnel or taking other measures to achieve complete segregation of duties would exceed its benefits. No additional response is deemed necessary.

STATUS: This finding has not been resolved. Based on the size of the District's operations and the number of employees of the District, it may not be economically feasible for the District to attempt to obtain complete segregation of duties in its accounting function. The finding will be reiterated.

2016-002 Financial Reporting

CONDITION: Management and staff lack the expertise and/or experience in the selection and application of generally accepted accounting principles, as applicable to governmental entities, in the financial statement preparation process.

RECOMMENDATION: The additional costs required to achieve the desired benefit may not be economically feasible.

CURRENT STATUS: See schedule of audit results and findings, item 2017-002.

WEST ST. MARY PARISH PORT, HARBOR AND TERMINAL DISTRICT
Franklin, Louisiana

Schedule of Audit Results and Findings
Year Ended December 31, 2017

Part I. Summary of Auditor's Results

An unmodified opinion was issued on the financial statements of the District's business-type activities.

Material weaknesses in internal control were disclosed by the audit of the financial statements.

No instances of noncompliance which are material to the financial statements and required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.

A management letter was not issued.

Part II. Findings Relating to an Audit in Accordance with *Government Auditing Standards*

2017-001 Inadequate Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated

CRITERIA: Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The District's internal control over financial reporting includes those policies and procedures that pertain to the District's ability to record, process, summarize, and report financial data consistent with the assertions embodied in the financial statements.

CAUSE: Due to limited personnel performing administrative functions, the same person or persons prepares checks, reconciles bank statements, enters information into the general ledger, prepares journal entries and posts to the general ledger, and performs other significant administrative and financial functions within the accounting system.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: The District's board is aware of this inadequacy and has concluded that the cost of hiring additional personnel to achieve complete segregation of duties would exceed its benefits. No additional response is deemed necessary.

WEST ST. MARY PARISH PORT, HARBOR AND TERMINAL DISTRICT
Franklin, Louisiana

Schedule of Audit Results and Findings (continued)
Year Ended December 31, 2017

2017-002 Financial Reporting

CONDITION: Management and staff lack the expertise and/or experience in the selection and application of generally accepted accounting principles, as applicable to governmental entities in the financial statement preparation process.

CRITERIA: An entity's internal control over financial reporting includes those policies and procedures that pertain to its ability to record, process, summarize, and report financial data consistent with the assertions embodied in the financial statements, including the ability of its management and staff to detect potential misstatements that may exist in the financial statements and related disclosures.

CAUSE: The condition results from a reliance on the external auditor as part of the internal control process.

EFFECT: Financial statements and related notes may reflect a material departure from generally accepted accounting principles.

RECOMMENDATION: The additional costs required to achieve the desired benefit may not be economically feasible.

Part III. Findings and Questioned Costs Relating to Federal Programs

The requirements of OMB's Uniform Guidance do not apply to the District.

WEST ST. MARY PARISH PORT, HARBOR AND TERMINAL DISTRICT
Franklin, Louisiana

Corrective Action Plan for Current Audit Findings
Year Ended December 31, 2017

2017-001 Inadequate Segregation of Duties

CONDITION: Accounting and financial functions are not adequately segregated.

MANAGEMENT'S RESPONSE: The District's board is aware of the condition and has decided that the benefit of the additional controls derived by employing additional personnel in the accounting functions is outweighed by the additional personnel costs.

2017-002 Financial Reporting

CONDITION: Management and staff lack the expertise and/or experience in the selection and application of generally accepted accounting principles, as applicable to governmental entities, in the financial statement preparation process.

MANAGEMENT'S RESPONSE: The financial reporting process will continue to be outsourced to the District's external auditors due to the increased cost necessary to correct the condition.

**WEST ST. MARY PARISH PORT, HARBOR
AND TERINAL DISTRICT**

Statewide Agreed-Upon Procedures

Fiscal period January 1, 2017 through December 31, 2017

KOLDER, SLAVEN & COMPANY, LLC

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES TO THE CONTROL AND COMPLIANCE AREAS IDENTIFIED BY THE LOUISIANA LEGISLATIVE AUDITOR

To the Board of Commissioners
West St. Mary Parish Port, Harbor and Terminal District
Franklin, Louisiana

We have performed the procedures enumerated below, which were agreed to by West St. Mary Parish Port, Harbor and Terminal District (hereinafter "District") and the Louisiana Legislative Auditor (LLA) on the control and compliance areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2017 through December 31, 2017. The District's management is responsible for those control and compliance areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated exceptions are as follows:

Written Policies and Procedures

1. Obtain the District's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the District does not have any written policies and procedures), as applicable:

a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.

The District does not have written policies and procedures that address the functions noted above.

b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

The District does not have written policies and procedures that address the functions noted above.

c) **Disbursements**, including processing, reviewing, and approving.

The District does not have written policies and procedures that address the functions noted above.

- d) **Receipts**, including receiving, recording, and preparing deposits.

The District does not have written policies and procedures that address the functions noted above.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

The District does not have written policies and procedures that address the functions noted above with the exception of leave.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

The District does not have written policies and procedures that address the functions noted above.

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage.

The District does not have written policies and procedures that address the functions noted above.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

The District's written policies and procedures address the functions noted above.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the District's ethics policy. Note: Ethics requirements are not applicable to nonprofits.

The District does not have written policies and procedures that address the functions noted above.

- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

The District does not have written policies and procedures that address the functions noted above.

Board (or Finance Committee, if applicable)

2. Obtain and review the board/committee minutes for the fiscal period, and:

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

Obtained and reviewed minutes of the District for the fiscal period noting that the board met at least monthly.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the District's prior audit (GAAP-basis).

The District is not required by the Local Government Budget Act to prepare and adopt a budget, therefore, budget to actual comparisons were not presented.

- If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

Not applicable.

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

Minutes included references to non-budgetary financial information for at least one meeting during the fiscal period.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

Obtained listing of client bank accounts from management and management's representation that the listing is complete.

4. Using the listing provided by management, select all of the District's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

Obtained bank statements and/or reconciliations for all months in the fiscal period for five (5) bank accounts noting that reconciliations have been prepared for one (1) account for all months. The remaining four (4) accounts had no reconciling activity during any of the periods.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

Obtained bank statements and/or reconciliations for all months in the fiscal period for five (5) bank accounts noting no evidence of management's review of bank statements and/or reconciliations prepared for any of the accounts.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Obtained bank statements and/or reconciliations for all months in the fiscal period for five (5) bank accounts noting evidence of researching reconciling items that have been outstanding for more than six (6) months as of the end of the fiscal period for one (1) account. The remaining four (4) accounts had no reconciling activity during any of the periods.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

Obtained listing of cash collection locations and management's representation that the listing is complete.

6. Using the listing provided by management, select all of the District's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* **For each cash collection location selected:**

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

One (1) location, District's administrative office, was determined to be a cash collection location. At the collection location tested, the person responsible for collecting cash was also –

- Responsible for depositing cash in the bank.*
- Responsible for recording the deposit.*
- Responsible for reconciling the bank statement.*

Individuals responsible for collecting cash are bonded.

There are no sharing of cash registers or drawers.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the District has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

District has no formal reconciliation process. In the collection location tested, the informal process of reconciling cash collections to the general ledger is performed by the same individual having responsibility for cash collections.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using District collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

In the collection location tested, there was one instance of a deposit not being made within one (1) day of collection. The deposit was made within two (2) days of collection. Three (3) deposits were tested at the collection location.

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Collection documentation was obtained and addresses the functions noted above.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the District has a process specifically defined (identified as such by the District) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

The District has no written process to determine the completeness of all collections for each revenue source by an individual who is not responsible for collections.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of District disbursements from management or, alternately, obtain the general ledger and sort/filter for District disbursements. Obtain management's representation that the listing or general ledger population is complete.

Obtained listing of disbursements from management and management's representation that the listing is complete.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the District had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

Examined supporting documentation for each of the twenty-five (25) disbursements selected and found that all purchases were initiated without using a purchase requisition/order system.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

Examined supporting documentation for each of the twenty-five (25) disbursements selected noting no purchase orders, or electronic equivalent, were initiated.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Examined supporting documentation for each of the twenty-five (25) disbursements selected for testing. The District does not use a requisition and/or purchase order system, or electronic equivalent; therefore, none of the selected payments were processed having an approved requisition and/or purchase order. However, support for each disbursement indicated receipt of goods purchased, as applicable, and approval by a member of management.

10. Using District documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the District's purchasing/disbursement system.

The District has no written documentation prohibiting the individual responsible for processing payments from adding vendors to the purchasing/disbursement system.

11. Using District documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

The District has no written policies indicating that the persons with signatory authority have no responsibility for initiating or recording purchases.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review District documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

The supply of unused checks is stored in a locked location with access restricted to those persons not having signatory authority.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Signature stamp or signature machine is not used.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Obtained listing of active credit cards and P-cards and the name of the individuals maintaining possession of the cards from management and management's representation that the listing is complete.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the District has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Randomly selected one (1) card from the listing of two (2) cards provided by management.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]

Monthly statement was obtained. Monthly statement for the one (1) card selected for testing did not evidence review and approval, in writing, by someone other than the authorized cardholder.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

Finance charges and/or late fees were not observed on the statement.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)

Multiple transactions were not supported by an original itemized receipt.

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

Multiple transactions did not document the business purpose or include documentation of individuals participating.

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

No other documentation was required by written policy.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the District's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

The District does not have written purchasing/disbursement policies. There were no noted credit card purchases requiring compliance with the Public Bid Law.

- c) For each transaction, compare the District's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

All transactions supported by appropriate documentation of business/public purpose appeared to comply with the requirements of Article 7, Section 14.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

Obtained listing of travel and expense reimbursements during the fiscal period, by person, and management's representation that the listing is complete.

18. Obtain the District's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

The District's written policies related to travel do not exceed GSA rates for per diem and mileage rates.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the District does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

The travel and related expense reimbursements selected complied with written policy.

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

Each transaction appearing on the selected reimbursement request was supported by an original itemized receipt that precisely identifies the nature of the reimbursement.

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

Reimbursements evidenced documentation of the business/public purpose.

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

Written policy does not require additional documentation.

- c) Compare the District's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Nature of the expenses reimbursed and related supporting documentation were not obscured. All reimbursements tested appear compliant with Article 7, Section 14 of the Louisiana Constitution.

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Reimbursement requests and related documentation evidence review and approval, in writing, by someone other than the individual receiving the reimbursement.

Contracts

- 20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

Obtained listing of all contracts in effect during the fiscal period and management's representation that the listing is complete.

- 21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

Listing provided by District included three (3) contracts. All contracts were selected for procedures.

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

Payments to vendors were supported by a written agreement describing the services to be provided and the fees to be charged.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the District complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

None of the contracts selected were subject to Louisiana Public Bid Law.

- If no, obtain supporting contract documentation and report whether the District solicited quotes as a best practice.

The three (3) contracts selected for testing were not subject to the requirements of Louisiana Public Bid Law. Documentation indicating that quotes were solicited as a best practice was provided by District for one (1) contract. The remaining two (2) contracts were employment contracts.

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

None of the contracts tested were amended.

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

Obtained supporting invoices and/or progress payment requests for the largest payment of each of the three (3) contracts selected for testing and compared to the contract terms. All invoices and related payments tested appear compliant with the terms and conditions of the contract.

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

All contracts selected for testing were documented as approved by the District's board.

Payroll and Personnel

- 22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete.

Obtained a listing of employees from management and management's representation that the listing is complete.

Randomly select five employees/officials, obtain their personnel files, and:

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

Compensation paid to the individuals tested were made in accordance with District's adopted pay rates and/or contract for employment without exception.

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

No changes to hourly pay rates/salaries were identified for the employees tested.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the District had less than 25 employees during the fiscal period), and:

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

None of the employees selected documented their daily attendance and leave. There are no elected officials for which daily attendance and leave records are required.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

Leave records evidenced supervisory approval. None of the employees selected documented their daily attendance.

- c) Report whether there is written documentation that the District maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

Leave records for District personnel are maintained in writing and/or electronically.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

No employees were terminated during the fiscal year. Obtained management's representation that no employees were terminated during the fiscal period.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

There were no exceptions regarding the deposit and/or payment of the employer and employee portions of payroll taxes or retirement contributions, nor the filing of related reporting forms, to the appropriate agencies by the required deadlines.

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the District maintained documentation to demonstrate that required ethics training was completed.

Requested ethics compliance documentation for five (5) randomly selected individuals. Documentation of the completion of the required ethics training was on file for all individuals tested.

27. Inquire of management whether any alleged ethics violations were reported to the District during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the District's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Management asserted that there were no allegations of ethics violations reported during the fiscal period.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the District, and report whether State Bond Commission approval was obtained.

The District did not issue debt during the fiscal period.

29. If the District had outstanding debt during the fiscal period, obtain supporting documentation from the District and report whether the District made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

The District had no outstanding debt during the fiscal period.

30. If the District had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

The District had no tax millages related to debt service.

Other

31. Inquire of management whether the District had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the District reported the misappropriation to the legislative auditor and the district attorney of the parish in which the District is domiciled.

Management asserted that there were no misappropriations of public funds or assets during the fiscal period.

32. Observe and report whether the District has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

Notice required by RS 24:523.1 was posted on the District's premises. The notice was not posted on the District's website.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

No exceptions to management's representations.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those control and compliance areas identified in the

SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those control and compliance areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance and is solely for use by the District's management and the LLA. Accordingly, this report is not suitable for any other purpose and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
May 31, 2018